"Lumax Auto Technologies Limited
Q1 FY '25 Earnings Conference Call"
August 13, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 13th August, 2024 will prevail.

MANAGEMENT: **MR. ANMOL JAIN – MANAGING DIRECTOR – LUMAX AUTO TECHNOLOGIES LIMITED**
MR. DEEPAK JAIN – DIRECTOR - LUMAX AUTO TECHNOLOGIES LIMITED
MR. VIKAS MARWAH – CHIEF EXECUTIVE OFFICER – LUMAX AUTO TECHNOLOGIES LIMITED
MR. SUNIL KOPARKAR -- MANAGING DIRECTOR - IAC INDIA
MR. SANJAY MEHTA – DIRECTOR – LUMAX AUTO TECHNOLOGIES LIMITED AND GROUP CHIEF FINANCIAL OFFICER
MR. ASHISH DUBEY – CHIEF FINANCIAL OFFICER – LUMAX AUTO TECHNOLOGIES LIMITED
MR. NAVAL KHANNA – CORPORATE HEAD, TAXATION
MS. PRIYANKA SHARMA – HEAD CORPORATE COMMUNICATIONS
MR. ANKIT THAKRAL – CORPORATE FINANCE

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY '25 Earnings Conference Call of Lumax Auto Technologies Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements do not guarantee the future performance of the company and it may involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anmol Jain, Managing Director of Lumax Auto Technologies Limited. Thank you, and over to you, sir.

Anmol Jain: Thank you. A very good afternoon, ladies and gentlemen. A very warm welcome to our Q1 FY '25 earnings conference call. Along with me on this call, I have Mr. Deepak Jain, Director; Mr. Vikas Marwah, CEO; Mr. Sunil Koparkar, Managing Director, IAC India; Mr. Sanjay Mehta, Director and Group CFO; Mr. Ashish Dubey, CFO; Mr. Naval Khanna, Corporate Head of Taxation; Ms. Priyanka Sharma, Head Corporate Communications; and Mr. Ankit Thakral from the Corporate Finance team, along with SGA, our Investor Relations adviser.

The results and presentations have been uploaded on the stock exchange and the company's website. I hope everybody has had a chance to go through the same. In the recently uploaded investor presentation, based on our internal assessment and product profiling, we have now reclassified our diversified products under four major domains.

The first one being advanced plastics, erstwhile was bifurcated into integrated plastic modules, lighting and emission products along with the IAC product portfolio. Number two is the structure and control systems domain, which was previously bifurcated between the fabrication and shifter systems business. Number three, the mechatronics, which includes the electronics, sensors and the telematics components. And the last one being the aftermarket domain.

We commenced FY '25 with a solid start. Despite witnessing headwinds in the passenger vehicle segment, your company has achieved a robust 20% year-on-year growth in revenues, reaching INR756 crores for the quarter. This growth reflects our unwavering commitment to excellence, through our diverse product offering across OEMs.

Speaking about the industry, a recent report highlights that the automotive and ancillary sector is expected to contribute 7.1% to the national GDP. Key government initiatives, including Make in India, ongoing investments in infrastructure and the emphasis on sustainable energy management have been instrumental in strengthening the sector's resilience. These efforts have not only supported the industry's growth, but also positioned it as a critical driver of the economic growth.

The growing domestic demand from both urban and rural populations, new model launches by OEMs and the trend towards premiumization has collectively boosted the content per vehicle, driving the overall expansion of the components industry. Discussing on the quarter's performance, the industry showed mixed results across most segments. Although passenger vehicles had a 6% growth, SUVs continued their growth trajectory. The two-wheeler segment has seen a strong recovery since the second half of last year and is maintaining this upward trend.

We anticipate an improvement in the CV performance, now that the elections uncertainties are behind us and an expected uptake in the capital expenditure cycle is going to happen, moving forward.

The production-linked incentive schemes for the automotive sector are viewed as a driving force for the localization of advanced auto components, creating a supportive environment for companies to invest in and manufacture within India. The electric vehicle segment, however, did experience a slowdown in growth, following the conclusion of the FAME subsidy.

We believe that two-wheeler EVs will continue to outperform the EVs in the passenger vehicle segment over time. In the long run, legacy industry players with robust networks across the country are likely to thrive. Overall, we are optimistic about the industry's performance in the second half of this fiscal year, driven by the festive season and multiple new launches planned by the OEMs.

Speaking on Lumax Auto Technologies. Lumax Auto Tech is a leading automotive component manufacturer in the country, having partnerships with globally leading joint venture partners, and having relationships with almost all major OEMs in the country.

Coming to the product category by performance in the quarter. The Advanced Plastics domain has grown by 13% from INR371 crores in Q1 FY '24 to INR420 crores in Q1 FY '25. Passenger Vehicle segment is a major revenue contributor for this domain, constituting almost 70% of the total revenues. Our outlook for this domain remains strong with huge cross-selling opportunities and addition of new product lines. The order book for this domain stands at INR610 crores.

Next, the Mechatronics domain grew by more than double from Q1 of last year at INR28 crores in Q1 FY '25 versus INR11 crores in Q1 FY '24. This domain has a huge opportunity in terms of the wallet share in the new model launches, mostly again, in passenger vehicle segment as many products are lined up for SOP in the second half of the current fiscal year, which would further increase its revenue. The order book stands at INR150 crores for this domain.

Coming to Structures & Control Systems. Revenue has grown by 12% from INR147 crores in Q1 FY '24 to INR165 crores in Q1 FY '25. The passenger vehicle segment contributes almost 60% of the total revenue. Our outlook for this domain remains strong with the opportunity to benefit into the premium and EV segments and addition of new technology-driven products with the order book standing at INR240 crores.

Lastly, our revenues from the Aftermarket domain has seen a flattish growth in Q1 FY '25 with respect to the corresponding quarter of last year. This phenomenon is not just for Lumax but across pretty much all Tier one and other peer group companies, which have a significant presence in the Aftermarket. There has been either a negative growth or a very muted single-digit growth across other Tier one space. And this is largely because of a poor income realization within the Aftermarket. However, the situation has already started to show signs of recovery in quarter 2, and we expect to post double-digit growth for the full fiscal year.

The total order book, considering the value of all four domains is INR1,000 crores, out of which 90% is new business. 25% of the total order book will mature in second half of FY '25, 55% in the next fiscal year FY '26 and the remaining 20% in FY '27. The EV contribution is approximately 40% of the total order book.

During the quarter, there have been some business updates. On July 20 2024, the company has filed the draft scheme of merger with the NCLT of its 100% subsidiary, Lumax Ancillary Limited, with the company for efficient utilization synergy of resources. The appointed date of merger will be April one 2024, subject to necessary regulatory approvals. The Bengaluru plant of the company cleared the first stage of assessment on excellence and consistent TPM by JIPM in the month of July '24. The final assessment of the sale is scheduled in January '25.

The Board of Directors has approved the setting up of a liaison office in Japan to explore new business prospects, and further deepen the relationships of the company with its partners and customers. As we move forward, we remain focused on technological innovation and operational efficiency to sustain this growth momentum. We are confident that our initiatives will continue to drive value for our stakeholders.

Now I would like to hand over to Mr. Sanjay Mehta, Director and Group CFO, to update you on the operational and financial performance of the company.

Sanjay Mehta: Good afternoon, everyone. Let me brief on the operational and financial performance for Q1 '25. With increased focus on passenger vehicle segment and integration of IAC, our sale of passenger vehicle stood at 50% in Q1 '25 as compared to 45% in Q1 '24. In Q1 '25, two-wheeler contribution to overall revenue is at 24%, Aftermarket at 11%, CV at 8% and balance 6% was contributed by other categories. For more detailed operational highlights on customer-wise revenue breakup, one can refer to our investor presentation uploaded on the exchanges and companies' website.

On financial highlights, the consolidated revenue for Q1 '25 stood at INR756 crores as compared to INR632 crores, up by 20% Y-o-Y. EBITDA margin stands at 14% for Q1 '25. Absolute EBITDA for Q1 '25 is INR105 crores, a growth of 20% on a year-on-year basis. PAT before minority interest for the quarter is at INR42 crores as compared to INR30 crores in Q1 FY '24, a growth of 38%. The tax rate for the full year is 26.3% and is likely to continue in the same rate in the future.

There has been no capex during Q1 FY '25, as we have been very prudent looking at the utilization of our overall capacity. However, with many SOP planned for the second half of the year, the capex outlay for the whole year is estimated to be around INR120 crores to INR140 crores, down by earlier guidance of INR150 crores to INR175 crores. The company is taking on healthy free cash of INR416 crores as on June 30, 2024, which is more than the long-term debt of INR391 crores.

With this, we open the floor for questions.

Moderator: The first question is from the line of Mr. Amit Hiranandani from SMIFS Limited. Please go ahead.

Amit Hiranandani: Congratulations team for the decent set of numbers. Sir, my first question is on the IAC. Basically, we are seeing that our IAC revenue has grown by 7.5% year-on-year in quarter 1, despite M&M's growth of 24% for the same period and despite IAC has been winning new businesses from other clients as well. Sir, what is the reason for this low growth?

Anmol Jain: So Mr. Hiranandani, just two clarifications. Number one, when you're talking about a 7.5% growth on IAC in Q1, this includes a huge amount of tooling revenue, which was there in quarter one of last year. There has been no tooling income in quarter one of current fiscal year. So if you were to compare just the product revenue, the manufacturing revenue, that has actually grown by 19%, up from INR182 crores last year first quarter to INR216 crores in first quarter of this year, which is pretty much in line with Mahindra's own growth of 15% on a Q1-to-Q1 basis in terms of the production numbers.

Amit Hiranandani: Continuing with the IAC, so the IAC's EBITDA margin, including other income is about 19% level. So although, it dropped Q-on-Q by roughly 140 basis points, but this -- is this 19% level sustainable?

Ankit Thakral: So as we explained in our last Investor Call, the normalized and the sustainable EBITDA for the IAC business is closer to 17%. And the last quarter EBITDA which was 21%, it also included certain policy corrections. And this quarter also, there is a onetime or an exceptional income of around INR4 crores to INR5 crores, relating to this correction of the tooling provision reversal. So excluding that, the normalized EBITDA for this quarter also is closer to 17%. So the normalized EBITDA of 17% is something which clearly the guidance is, that we should be able to sustain that. And as we continue to grow the business, we will make efforts to further increase the margins.

Amit Hiranandani: And sir, all the capex we were doing in IAC to increase the capacity, so that is all done, right?

Anmol Jain: Well, it is an ongoing activity. In terms of capex on IAC some part of it is already done. And out of the INR120 crores to INR140 crores total capex guidance for Lumax Technologies in the current fiscal, I would say almost close to 50% of that would be in IAC towards the new model launches, which are expected in the H2 of the current fiscal year.

Amit Hiranandani: So sir, broadly, utilization level is still above 90% for IAC?

Anmol Jain: That is correct.

Amit Hiranandani: Okay. And sir, what is happening basically in the Aftermarket side, because we have just grown 1%. From my check that the grey market has emerged out again. So is this right, sir?

Anmol Jain: No. So I think aftermarket, as I mentioned in my opening comments, number one the aftermarket, there are two challenge points. One, the OEMs by their own service networks have definitely become a lot more aggressive on the pricing, because they definitely feel that they can garner a bigger piece of the pie of the aftermarket. So the OES, the OEM spares, is becoming a lot more competitive when it comes to pricing, which is definitely resulting in a bit of headwind in Tier one growing and expanding their Aftermarket channels. However, having said that, we still continue to believe, that a double-digit growth for the full fiscal year is something which we should definitely be looking at.

And for quarter one specifically, this was something which is across the industry. There has been a lot of pressure on realization of income from the Aftermarket channel. And hence, we will hold the further pushing of stocks until the realization happens. And if you look at other Tier 1, pretty much everyone is a similar bandwidth of a flattish, or a negative, or a very muted single-digit growth.

Amit Hiranandani: Sir, my second question is on basically our consolidated entity is about 50% revenue comes from the passenger vehicle segment. And as per our on-ground checks, the PV dealers have high inventory of 60 to 90 days plus the significant discounting is ongoing. And most of the dealers are also guiding to flattish to lower sales for the upcoming festivals. So sir, based on this, are you reducing your consolidated guidance of 20% to 25%? Or do you still maintain that revenue growth guidance?

Anmol Jain: So I would say that the full year guidance for the consolidated entities could be anywhere between 15% to 20%. You're absolutely right that there are headwinds in the passenger vehicle industry currently in Q1, and we do anticipate this to continue in quarter two as well. However, most of our growth is coming from new models and new product introductions into the current models.

So it would be a new revenue for us, rather than being dependent on the volume growth of the current model in the market. So for the full year, my guidance would still be 15% to 20%. However, I believe in quarter 2, we probably will be looking at a slower growth rate even compared to quarter one growth rate on a year-on-year basis. So majority of this growth will come into H2.

Amit Hiranandani: Sir, the final, last question. This is a bookkeeping question for the consolidated entity. On a Y-o-Y basis, the employee cost increased substantially. And similar is the case for other expenses. So any one-off here?

Ankit Thakral So if you compare with the Q4, there has been an increase in manpower cost for about 1.5%. So one of -- therefore, there was a one-off in Q4 of the last year, one being certain gratuity impact, and other thing again, a relevant policy correction, in which there were certain costs that were transferred to inventory, and there was a certain reversal of revenue, more specifically in IAC, which led to reduction in manpower cost in Q4 of last year.

Amit Hiranandani: Sir, year-on-year also, we are seeing substantial increase in employee neglect.

Ankit Thakral: So yes, there has been increase of about 1%, you can say that -- if you see as a percentage of sales. So that has been only this inflationary impact, which has been a part, in this quarter. Going forward, the manpower cost on a consolidated level should be sustainable at a similar 13% mark. That should be the yard thing, which we should go by. And again one quarter, it may be impact about 14-odd percent, but 13% is what we expect to be sustainable.

Moderator: The next question is from the line of Payal Shah from Billion Securities. Please go ahead.

Payal Shah: I have a few questions. First, like we have seen a good growth in our content per vehicle, roughly 4x in last few years for PV. So, I just wanted to understand what is the scope for growth here.

Anmol Jain: I think the scope for growth continues to remain quite strong. The mechatronics domain, you've seen on a quarter-on-quarter basis, has had a substantial growth, primarily on a low base. And also the order book will continue to come in probably towards the end of this year. So I would say that the content per vehicle has, as you said, grown by almost 4x in the last 5 years. And we do expect to penetrate this content per vehicle in a wider population of models across OEMs, rather than taking it further notch up from 4x to 6x. So I think there is still a lot of opportunity for us to cross-sell our products across models, and hence, get the benefit of this 4x content per vehicle growth in other OEMs as well.

Payal Shah: Okay, okay. Sir, my next question is Aftermarket growth has remained flat, as you mentioned. We are seeing cash collection issues. So can you highlight why the industry is seeing this issue? Like what are the reasons behind this issue?

Anmol Jain: I think there are many reasons. I think number 1, the liquidity in the aftermarket is a bit of a challenge. Again, aftermarket works on a very different cycle. Quarter 1, usually is also a sluggish quarter, where quarter 4, there is a lot of inventory which gets piled up, and people probably do not have fresh orders in quarter one to that extent. However, as I said, we've already started to see some signs of improvement on the realizations in quarter 2. And hence, we are still hopeful that for the subsequent quarters and for the full fiscal year, we still should be anticipating a double-digit growth in the Aftermarket.

Payal Shah: That's helpful, sir. And my last question is, there was an intimation regarding giving some intercorporate deposit to some entity. Sir, I just wanted to understand the rationale behind this, if you can please explain.

Anmol Jain: Yes. So there was an enabling resolution which we have proposed. And in due course, we've had certain internal re-discussions and deliberations, and we will not be going forward with this.

Moderator: The next question is from the line of Sacchi Sharma from ACE Investments. Please go ahead.

Sacchi Sharma: I'll go ahead with my question. So my first question is, now that a very well-integrated IAC and we are benefiting from the synergies as well, so are we looking at any other inorganic opportunities in this fiscal year?

Anmol Jain: So we are always evaluating inorganic opportunity for addressing our customer needs. So as we speak, yes, we are evaluating other opportunities as well. But unfortunately, I cannot disclose or diverge more detail. But yes, we continue to remain engaged for inorganic growth.

Sacchi Sharma: Sure. My next question is, I just wanted a view on the performance of the EV business. So industry-wide, I believe we are seeing some low traction, post the removal of the FAME subsidy. So yes, I wanted just to understand from you how the performance has been.

Anmol Jain: So I think the performance on EV, as I mentioned, definitely in the two-wheeler space, the EV footprint continues to expand. I think if you look at the numbers, they are very encouraging, and they continue to grow on a month-on-month basis. The top podium positions have changed. And I think now, more or less, the legacy players are the ones commanding these podium positions rather than the new entrants. So I firmly believe the two-wheeler EV penetration will continue to increase going forward.

However, in the passenger vehicle space, I think there seems to be a bit of a shift in the consumer mindset. And hence, the EV penetration will continue to happen in the passenger vehicle space. However, the rate at which it penetrates, will be much slower than that of the two-wheeler. Having said that, almost 40% of our order book, which Lumax Technologies holds at about INR1,000 crores, almost 40% of INR400 crores of that order book is coming from the EV space itself, mostly driven by passenger vehicles.

Sacchi Sharma: Sir, do we also have like -- to talk about two-wheeler, do you also have OLA -- are we present with OLA?

Anmol Jain: No, we do not have any business relationship currently with OLA.

Sacchi Sharma: These were the two questions. In case of any other, I will come again.

Anmol Jain: Sure. Thank you.

Moderator: The next question is from the line of Amit Hiranandani from SMIFS Limited. Please go ahead.

Amit Hiranandani: Sir, my question is on the margin side. So the stand-alone margin, there's an improvement in the margin, despite the flattish growth in the Aftermarket business. Generally, Aftermarket is a high-margin business for you. And despite that, the margins have improved. So what has led to this improvement and sustainability of the same? And secondly, the growth outlook for the standalone business, please?

Anmol Jain: So you're absolutely right. The margins have expanded on the stand-alone as well, despite Aftermarket being muted. And again, the reason for that is the diverse product portfolio. If you look at the growth across the other OEM domains, they have been all in double digits. I think the Advanced Plastics grew by almost -- and the Structure & Control System both grew by almost 13-odd percent. And the Mechatronics grew, obviously by almost 150%. However, it was on a smaller base. These also have a stronger margins in terms of realization compared to some of the other product lines which we are into.

So I think it's a combination of the product mix, across our domains and across our different joint venture partners, which has resulted into the expansion of margins. And we're very hopeful that these margins should remain sustained on a longer-term basis. Of course, as I said, there are some headwinds, which we are currently tackling in Q2 based on demand. But still, the margin should remain intact.

Your second question on the guidance for the full year. As I said, at a consolidated level, I would say it would be about 15% to 20%. However, as stand-alone should probably be maybe close to around 10% or so, just the stand-alone. And then subsidiaries will probably grow at a much faster rate. Probably around 30% to 35%, is the growth we are looking at the subsidiaries.

Amit Hiranandani: Okay. And sir, secondly, so overall consolidated EBITDA margin guidance in last quarter, you have said that it will be nearly same what we have achieved last fiscal year. So is this guidance remains, sir?

Anmol Jain: Yes. I think the EBITDA margins, the -- if you see the last three to 4 trailing quarters, they have been sustained at what we have achieved in quarter one of FY '25. And my estimate and my guidance would be that we should be able to sustain the current EBITDA margins. While growing the top line, of course, the absolute amount will continue to grow.

Amit Hiranandani: So sir, generally, the market looks into -- I mean, excluding the other income, so if we exclude the other income, there is some dip in the EBITDA margin. So 11.6% is what -- is excluding other income. So are you able to achieve the 13% level? Because to achieve the 13% level, the company will need to keep growing the margins about 13% to 14% level, in the coming next three quarters. So are we confident to achieve that last year's level margin, without other income?

Ankit Thakral: So other income for the whole year will remain constant, which was in the range of around INR45 crores to INR50 crores. So answer to your question, yes, without other income, we will sustain the last year EBITDA margin as well. And including other income also, we will sustain.

Amit Hiranandani: Okay. And sir, just a few bookkeeping questions. I wanted to understand the total debt, including the long term, short term and current maturities-- and this is basically as on 30 June. And what was the 31st March, the same figure?

Sanjay Mehta: So total that is 660 as on 30 June, and it was 618 on 31st of March. It has been reduced by INR20 crores.

Amit Hiranandani: Sir, despite reduction in debt level, the interest cost Q-on-Q remains broadly the same.

Sanjay Mehta: Because of the interest cost in general of working capital, even the long term also has been slightly increased. But we have taken, because the earlier one was in lock-in -- and lock-in is expiring within two month's time. So we are renegotiating, and I think going forward, the interest should be back to the normal level.

Amit Hiranandani: Okay. And sir, the guidance for capex, you said about INR140 crores for FY '25. So where we are planning to spend this money?

Anmol Jain: The guidance for the full year would be about INR120 crores to INR140 crores. As I said, 50% of this capex would be in IAC to service the new models and to extend certain capacities in the Pune region. There also would be certain -- Structure & Control Systems would be about INR20-odd crores, the Mechatronics would also be about INR20-odd crores, and remaining part of the plastics, apart from IAC, would also be about INR20-odd crores. So give or take, it would be equal in the other regions or the other domains. But IAC would be about 50% of the total pie.

Amit Hiranandani: Got it. And sir, one question on the Lumax Cornaglia. Just want a feedback. Are this margin for the plastic fuel tank is lower than the 17% margin what Lumax Cornaglia in general achieved?

Vikas Marwah So the plastic full tank is a very recent entry. We went into the SOP just two to three months back. The market is still evolving. I think going ahead, on a sustainable basis, once we hit critical mass, which we estimate to be about 30,000 tanks per year. At that time, the EBITDA should be in the range of 50% to 80%.

Amit Hiranandani: So, so far it's because of lower utilization, but it will increase to company level, 17%.

Vikas Marwah: Lumax Cornaglia currently is operating at higher than 17%. It is closer to a sustainable around 20% right now.

Amit Hiranandani: Yes. So -- but the plastic fuel tank is presently lower margin than what the company is on...

Anmol Jain: So the plastic fuel tank actually has not had an offtake yet. It's a very small contributor to the overall Lumax Cornaglia revenues. And hence, majority of the margin is coming from other product lines. Once we do hit critical mass later this year, we do expect the margins, as Vikas mentioned, to stabilize of the plastic fuel tank in a similar vicinity as the overall Lumax Cornaglia business, maybe it would start at about 15% to 18% mark. And then there after months, we do hit a certain order quantity, then we would like to expand that further.

Amit Hiranandani: Very clear, sir. Sir, last question, basically, this is based on FY '24 number for Alps Alpine. So that subsidiary has just grown about 1% on the top line. And so what is the reason for this low growth and outlook for the next three years for the subsidiary? Because I believe that this is an important subsidiary for the company. Secondly, similarly, Lumax JOPP, that is also -- we have seen revenues have dropped in FY '24 from INR9.5 crores to over INR8 crores in FY '24. So if you can guide both these things, please?

Anmol Jain: I think if you look at FY '25 for the full year, and I'm not going to be talking about quarter one specifically, but if you look at the next three quarters, both the entities you mentioned, Alps as well as Lumax JOPP, are expected to grow at a very significant rate, although on a low base. Alps would grow anywhere upwards of 30%, 35% on a full year basis and JOPP would probably grow at 70% or upwards on a full year basis. Because they both are sitting on a good order book, which kicks-in, in the H2 of this fiscal year.

Moderator: Next question is from the line of Hitesh Goel from Riddhish Advisors. Please go ahead.

Hitesh Goel: My question is on this subsidiary revenue. So if I subtract the overall subsidiary revenue from IAC which you have given, we see a 45% Y-o-Y growth. But when you do that for the EBITDA also, the EBITDA growth is only 31%. So this steep drop in EBITDA margin on a Y-o-Y and Q-on-Q basis. So can you tell us why? Is there something which has happened, a one-off expense or something which we have missed?

Anmol Jain: So the subsidiary growth which you see on top line of 45%, 46% also includes the Lumax Ancillary revenues, which was new in quarter 1. I would think that 30% of the 45% would come from Lumax Ancillary. However, the Lumax Ancillary business currently operates at a lower margin than that of the company overall and hence, you do not see the similar rate of change at the EBITDA level. However, having said that, I think we are focusing on how do we synergize our capabilities and utilize our cost competitiveness across the group to try and, again, improve the margins of Lumax Ancillary. But that would be one of the major reasons, why you see this anomaly.

Hitesh Goel: So the Cornaglia -- you said that it's operating a 20% margin in the first quarter. And Lumax Mannoh was also around 16%, which was last year. Is that right?

Anmol Jain: That's correct. I think most of these joint ventures are running at a double-digit teen plus margins. The major reason is the Lumax Ancillary, where you see a top line growth, but you do not see that bottom line margin expansion or contribution.

Hitesh Goel: And then in IAC, sir, one more question. In IAC, you will be supplying to Tata Motors curve recent launch also, right? You've said that in previous con calls.

Anmol Jain: We will be supplying to Tata Motors. Yes, we've got into Tata Motors as a full service supplier. We used to be engaged with Tata Motors only from a designing work earlier. But this will be the first time, where IAC India will become a full service supplier, including design and manufacturing of the product for Tata Motors going forward.

Moderator: The next question is from the line of Yug Modi from AP Capital. Please go ahead.

Yug Modi: Sir, I just had one question. How are our smaller JVs faring in this quarter? And what is your update in these JVs from long term perspective? When do we expect them to become sizable in terms of revenues?

Vikas Marwah: So currently also, if you see, we have targeted for ourselves 40% to 45% growth in terms of the joint ventures this year -- the previous year on a full year basis. while we have two very mature joint ventures in this, which is Lumax Mannoh and Lumax Cornaglia, they will continue to outpace the industry growth by a couple of basis points. But the other JVs are coming to traction. A large part of the order book that you see of INR1,000 crores, if you take out the is coming from these other joint ventures, order book of Lumax Alps Alpine, Lumax JOPP, amongst the two, which are now slated to grow.

We continue to maintain a conservative guidance on one particular JV. Which is Lumax FAE because this is a totally regulation-controlled product when OBD2 norms announcement happened in terms of the second sensor getting introduced. Only then we'll be able to give a more clear nature of that. But to answer your question, all the JV is a critical part. With the exception of Lumax FAE in the next 12 to 24 months, and they all start operating at a double-digit EBIDTA margin.

Moderator: The next question is from the line of Apeksha Bajaj from AV Fincorp Private Limited. Please go ahead.

Apeksha Bajaj: I wanted your view on the inventory buildup, which is getting across dealers across OEMs. So will auto sector underperform for the next couple of quarters or years? And how is the company dealing with it?

Anmol Jain: Well, it's a difficult question for me to answer on behalf of the OEMs. But I think we have seen an increase in the inventory levels across the OEMs, specifically in the passenger vehicle space. However, I think I still remain optimistic that while in quarter 2, the sluggishness is likely to continue, however, in H2, backed by certain exciting new model launches which will bring a lot of excitement into the market. And also with the festive period, I do feel that these inventory levels should be normalized and the demand should come back. We can only hope for these signs of recovery. But having said that, we are on a close watch with our OEM plans than we are taking prudent measures internally to safeguard our top line as well as bottom line.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Anmol Jain: Well, I take this opportunity to thank everyone for joining into this call. We will keep the investor community posted on a regular basis for updates on your company. I hope we were able to address all your queries. For any further information, please do get in touch with us or SGA, our Investor Relations advisers. Thank you once again, and have a nice day.

Moderator: Thank you. On behalf of Lumax Auto Technologies Limited, that concludes this conference. Thanks for joining us. You may now disconnect your lines.